

**STATEMENT OF EMILY STOVER DEROCCO
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EMPLOYMENT AND TRAINING ADMINISTRATION
BEFORE THE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION
U.S. HOUSE OF REPRESENTATIVES**

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Thank you, Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before you with my colleagues from the Department of Education to discuss the Fiscal Year (FY) 2005 budget request for Department of Labor programs administered by the Employment and Training Administration (ETA). We are in the process of making exciting changes to the national workforce investment system, so I am particularly anxious to share information with you about those changes, and later answer any questions you may have.

President Bush, in his State of the Union address, stated that:

America's growing economy is also a changing economy. As technology transforms the way almost every job is done, America becomes more productive, and workers need new skills. Much of our job growth will be found in high-skilled fields like health care and biotechnology. So we must respond by helping more Americans gain the skills to find good jobs in our new economy.

To carry out the President's vision, the Employment and Training Administration began the President's High-Growth Job Training Initiative in 2002 to identify high-growth businesses and industries, evaluate their skill needs, and ensure that people are being trained with the skills these rapidly expanding businesses require. Geospatial, biotech, health care, information technology, and other high-growth sectors of the economy need more highly trained and skilled workers if they are to grow and be competitive in the years ahead. The fact that America's

workforce is among the best educated in the world is a key competitive advantage for us in the global economy. Most of the new jobs created today require at least some post-secondary training, whether it be vocational, apprenticeship or college, or on-the-job training and people who have that training typically experience less unemployment and higher wages than those who do not.

This initiative is built upon partnerships that include the public workforce system, business and industry, training providers, economic development, and the education community working collaboratively to develop solutions to the workforce challenges facing these industries and to develop maximum access for American workers to gain the competencies they need to get good jobs in these industries. Our hope is that these partnerships will serve as models for the entire workforce investment system.

The President's 2005 Budget furthers his commitment to innovative solutions. It includes a new grants program for community college training through the President's Jobs for the 21st Century Initiative. This program will build on the High-Growth Job Training Initiative by increasing opportunities for workers to train at community colleges for the high-growth occupations of the 21st Century. I will detail the proposal later in my testimony.

In total, the President's 2005 Budget proposes \$23 billion in resources for job training and employment assistance government-wide. As you know, the Department of Labor administers programs—including Workforce Investment Act and Trade Adjustment Assistance—that account for a significant portion of these resources. The Department of Education is the other major partner. It provides resources through Vocational Rehabilitation, Vocational and Technical Education, Adult Education, and Pell Grants used by students at technical and community colleges and other two-year post-secondary schools.

My statement will detail the Administration's request for FY 2005 discretionary resources to provide job training, employment services and unemployment insurance administered by ETA. ETA's FY 2005 request totals \$11.0 billion. This is \$188 million below the FY 2004 level, largely due to the decrease in the request under the Federal Unemployment Benefits and Allowances account discussed below. This request will:

- Enable ETA to strengthen the nation's workforce investment system and carry out the President's commitment to leave no worker behind;
- Allow ETA and the states to carry out their mission and support the Secretary's Strategic Goals and the President's Management Agenda; and
- Continue to fund strategies across all program areas that have proven effective.

Key Initiatives for FY 2005

Before discussing the details of our budget proposal, I would like to highlight our key initiatives to better meet the needs of business and to train Americans for jobs in the 21st Century.

The President's FY 2005 Budget reflects his deep commitment to try bold, innovative and flexible initiatives. For the Employment and Training Administration, those initiatives will prepare young people for the world of work, and get people back to work quickly if they lose their jobs. We are in business to understand the labor market, understand its relationship to the American economy, and facilitate the preparation of American workers for the jobs of the 21st century.

Jobs for the 21st Century: Community-Based Job Training Grants – The budget includes \$250 million for Community-Based Job Training Grants, which builds on the success of the President's High-Growth Job Training Initiative that I mentioned earlier. Competitive grants

will be awarded to support community college training in industries with demonstrated labor shortages, such as health care. The grants will also build the capacity of community colleges to train individuals in these areas. Because of their close connection to local labor markets, community colleges are well positioned to prepare workers for high-demand occupations. The request is expected to result in training and subsequent employment or an opportunity for enhanced employment for up to 100,000 individuals. The Community-Based Job Training Grants are one part of the President's Jobs for the 21st Century initiative – which provides for over \$500 million in new funding for education and job training programs, including additional funds for Pell Grants for low-income students.

Workforce Training Reform – Through the reauthorization of the Workforce Investment Act (WIA), we are continuing to press for the reform and redesign of programs to improve their flexibility and effectiveness. This legislation currently is awaiting a House-Senate Conference to resolve differences between the House-passed and Senate-passed versions of the bill. WIA reauthorization will continue to transform the One-Stop Career Center system into a cohesive system that can respond quickly and effectively to the changing needs of employers and workers in the new economy while also addressing the needs of special populations. It is intended to build on and improve what works, and fix what does not work. The legislation will better connect post-secondary education and training, social services, and economic development systems through the One-Stop Career Centers to prepare the 21st century workforce with skills for career opportunities in high-growth sectors of the economy. Key objectives of our WIA reauthorization proposal are to: (1) create a more effective governance structure; (2) strengthen One-Stop Career Center system finances and services; (3) enhance the provision of comprehensive services for adults; (4) focus youth resources on out-of-school youth; (5) simplify

and rationalize the current performance accountability system; and (6) promote state flexibility by removing statutory limitations to providing waivers and allowing states to apply for block grant authority. Many of these features have been incorporated in the House and Senate bills. We are particularly pleased that the House version, H.R. 1261, contains the consolidation of the Adult, Dislocated Worker, and Wagner-Peyser funding streams.

Personal Reemployment Accounts – The budget includes \$50 million for Personal Reemployment Accounts, a flexible new approach to giving the unemployed more control over their access to training and services and help them return to work more quickly. The program would award up to \$3,000 to eligible unemployed workers to choose whatever training and supportive services they believe will help them get back to work. This year we are proposing to launch Personal Reemployment Accounts as a pilot to demonstrate the value of the accounts and test varied designs and identify the models that work best. Based on the outcomes, we will use the most effective design options to inform the nationwide implementation through a reformed WIA.

Prisoner Reentry Initiative – We propose to reduce recidivism among returning inmates, as discussed by the President in his State of the Union address. ETA will collaborate with the Departments of Justice and Housing and Urban Development on a new four-year, \$300 million Prisoner Reentry Initiative. ETA's FY 2005 request includes \$35 million for this initiative, supplemented by other resources in DOL's budget to serve ex-offenders. The Prisoner Reentry program will harness the resources and experience of faith-based and community organizations in helping individuals exiting prison make a successful transition to community life and long-term employment through job training, mentoring, and transitional housing assistance. The new initiative will build on what we've learned under the current Responsible

Reintegration of Young Offenders program, supporting the replication and expansion of models that have proven promising in serving ex-prisoners.

Unemployment Insurance Safety Net – The 2005 Budget includes several proposals to improve performance of the Unemployment Insurance (UI) system while strengthening the safety net it offers for unemployed workers and their families. Through continued eligibility reviews at One-Stop Career Centers, for which we are requesting an increase of \$20 million, we will help unemployed workers get back to work faster. By setting aggressive targets for reducing UI payments improperly paid to workers who have found new employment, we will strengthen the financial integrity of the UI system.

Foreign Labor Programs – The President is committed to ensuring a labor supply for businesses, when no American worker is available and willing to take a job. ETA's FY 2005 budget request includes \$46 million for state labor certification costs, an increase of \$5.4 million from FY 2004. These funds will support ETA's efforts to streamline the Foreign Labor Certification program and reduce the backlog in applications. We also have a legislative proposal to authorize a fee for the certifications we provide employers, which, if enacted, will reduce our need for appropriated funds by \$5.5 million.

The President recently announced his proposal for a Temporary Worker Program. This program would serve America's economy by matching a willing worker with a willing employer, when no American can be found to fill the job. ETA's FY 2005 budget request includes \$99.4 million (the 2004 level) for new methods of providing employment information through One-Stop Career Centers and America's Labor Market Information System. This program will serve as a key component in the Temporary Worker Program, and a portion of these resources will be

used to develop a quick and simple system for employers to search for American workers, before filling jobs with foreign workers.

Highlights of the FY 2005 Budget Request

Training and Employment Services Account

Youth – A total of \$2.6 billion is requested for employment and training programs for Youth. This investment, which will help young people make a successful transition to the world of work and family responsibility, is funded at approximately the 2004 level. The proposal reflects a reformed youth program proposed by the Administration as part of the reauthorization of the Workforce Investment Act.

WIA Youth Program - The reformed WIA Youth program is proposed to be funded at \$1.0 billion, about the same level at which Youth Activities is funded in 2004. As proposed by the Administration, WIA reauthorization would create a more targeted approach to serving youth. Currently, funds for the WIA youth program are spread ineffectively in a manner that lacks a strategic direction for WIA youth activities on a national level. The Administration's proposal would focus resources on out-of-school youth through a Targeted State Formula program and establish National Challenge Grants to states and local areas.

The targeted formula program – 75 percent of the youth funds – would be used at the local level to serve out-of-school youth between the ages of 16 and 21. Challenge Grants would represent 25 percent of the state allocation for youth, and would be largely awarded on a competitive basis. Funds for Challenge Grants would go to programs with proven effectiveness at serving youth, as well as to high-quality programs that lead to high academic achievement, self-sufficient employment, or other positive performance outcomes.

Job Corps – We propose a budget of \$1.6 billion for the Job Corps, a \$20.2 million increase above the FY 2004 level, to continue to support this highly successful program. Job Corps is a residential program for disadvantaged youth that provides them with intensive skill training, academic and social education, and supportive services. The typical Job Corps student is an 18-year old high school dropout who reads at slightly above the 7th grade level, comes from an economically disadvantaged family, belongs to a minority group, and has never held a full-time job. Our proposal will permit Job Corps to enroll 68,403 new students at 122 Job Corps centers located in 48 of the 50 States, the District of Columbia, and the Commonwealth of Puerto Rico.

Adults, Dislocated Workers and Employment Services – Our request for serving eligible adults through a new consolidated adult state grants program totals \$3.0 billion, and is requested under existing authority: \$900 million for adults, \$1.4 billion for dislocated workers, and \$696 million for state employment service grants.

WIA reauthorization and our budget proposals will integrate administration of this new consolidated adult state grants program with administration of the new Community-Based Job Training Grants and Personal Reemployment Accounts. This integrated approach will not only provide specialized services to meet the needs of those served by the current discrete programs, but will also give states and the Secretary of Labor a better ability to target resources where needed, facilitate coordination, and reduce inefficiency and duplication in the provision of services to adults.

The consolidated funding stream for the adult state grants program retains authority for the Secretary to provide National Emergency Grants – to be renamed “National Dislocated Worker Grants” in WIA reauthorization – to address states’ special layoff situations.

The budget authority requested, together with unexpended carryover, is expected to serve at least 18,345,800 adult participants. When participants in the Community-Based Job Training Grants and Personal Reemployment Accounts are added, the total is estimated to reach at least 18,460,800 adult participants.

National Programs – A total of \$95 million is being requested in FY 2005 for National Programs. In this account, we have proposed phasing out some programs that are duplicative of services in the WIA title I programs.

First, we are not requesting funds for the Migrant and Seasonal Farmworkers Program, (MSFP) whose most significant component is the National Farmworkers Jobs Program (NFJP) program. The MSFP population is eligible for services under the new consolidated adults/dislocated worker state grants and youth formula grant programs. In 2003, the Administration assessed this program using the Program Rating Assessment Tool (PART) and rated it ineffective. The assessment found that the program duplicates workforce services available through the One-Stop system and supportive services available through other Federal programs, including One-Stop partners. In addition, the PART assessment found that performance accountability among grantees is poor. We believe that workforce services organized through the One-Stop system play a vital role in building strong local economies, and that providing services to farmworkers through the One-Stop system will increase the number served and have a positive employment and earnings impact on those who receive services.

We are requesting \$30 million for Pilots, Demonstrations, and Research, \$2 million for Technical Assistance activities and \$8 million for Evaluation activities. Each of these requests is somewhat lower than the FY 2004 appropriated levels.

We are requesting \$55 million for Native American programs, slightly above the FY 2004 appropriation. We estimate this will serve approximately 24,500 participants. In addition to this special targeted program, we will continue to strive for a greater level of integration of Native American program services throughout the One-Stop Career Center system, as we believe this is a way of increasing further the options available to assist adult workers.

Legislation authorizing the H-1B skills training program funded by fees paid by employers applying for foreign workers expired at the end of 2003. In FY 2005, the budget proposes the rescission of \$100 million in unused H-1B funds. At present, \$107 million remains unobligated.

These grants have not been demonstrated to have been an effective means of reducing employers' reliance on workers with H-1B visas to fill high-skill jobs. The Administration has a better way to help U.S. workers to compete for these jobs. The Jobs for the 21st Century Initiative that I discussed earlier, including the Community-Based Job Training Grants proposal, is designed to better prepare workers for jobs in the new millennium by strengthening high school and postsecondary education and job training. It will build on the Administration's High-Growth Job Training Initiative.

Community Service Employment for Older Americans

In this account, we are asking for \$440 million, \$1.6 million above the FY 2004 appropriated level. We expect to assist 92,300 older Americans with community employment opportunities and unsubsidized job opportunities. The Administration's PART assessment of this program recommended awarding national grants competitively to strengthen service delivery and open the door to new grantees, including faith-based and community-based organizations.

In response to this recommendation, we are pleased to report that a competition for national grants was held in 2003 and 13 grantees were selected, and for the first time since 1989, four organizations that had not previously received a grant were added to the program.

State Unemployment Insurance and Employment Service Operations Account

For State Unemployment Insurance and Employment Service Operations, our request is \$2.9 billion, an increase of \$27.8 million.

Unemployment Insurance – The FY 2005 request for UI state administration and National Activities is \$2.7 billion, an increase of \$24 million above the FY 2004 level (which includes projected contingency funding). In FY 2005, these funds will finance projected workloads, including the following major functions of the states:

- Determining benefit entitlement for about 13.8 million newly unemployed workers.
- Paying benefits to an average of 3.0 million unemployed workers per week.
- Collecting state taxes from 7.2 million employers.

As mentioned previously, the request includes an increase of \$20 million to enable UI staff in One-Stop centers to conduct 50 percent more face-to-face reviews of claimants' employment status and eligibility for UI benefits.

Employment and Reemployment Services – Our request for Employment Service allotments to states, \$696 million, is \$56.3 million below the FY 2004 appropriated level. This request is part of our \$3 billion consolidated adult state grants program. As discussed earlier, the Administration's WIA reauthorization proposal would combine into a single formula grant the Employment Service (Wagner-Peyser Act) programs, WIA Adult program funds, and the WIA

Dislocated Worker funding stream in the Training and Employment Services account. In this streamlined proposal, labor exchange services would be the foundation of the One-Stop Career Center system, with the remaining funds focused on adult training and intensive services. We are not requesting funding for Reemployment Services Grants, because we expect these services to be provided both through the consolidated grant and through the request for Personal Reemployment Accounts,.

One-Stop/America's Labor Market Information System – The request includes \$99.4 million for new methods of providing employment and related information through One-Stop Career Centers and its America's Labor Market Information System, the same level as 2004. As mentioned earlier, this program will serve as a key component in the President's guest worker proposal and a portion of these resources will be used to develop a quick and simple system for employers to search for American workers before filling jobs with foreign workers.

Work Incentive Grants – Our request for Work Incentive grants is \$19.9 million, the same level provided in FY 2004. This effort is undertaken in conjunction with the Department's Office of Disability Employment Policy to increase the participation of individuals with disabilities in DOL programs and services. It provides competitive grants to partnerships or consortia in States to provide incentives for coordinated service delivery through, and linkages across, the One-Stop Career Center system.

Employment Service National Activities – Our request for National Activities is \$67 million for foreign labor certification programs, administration of the Work Opportunity Tax Credit, and technical assistance and training for the system. Of this amount, \$46 million is requested for grants to States for foreign labor certification activity, an increase of \$5.4 million above FY 2004, to address the backlog and support the Administration's efforts to implement a

comprehensive reform of this program. In FY 2005, under the reformed program, we will reduce the average processing time for new applications filed by employers for the permanent program under the new Permanent Electronic Review Management system so that 90 percent of applications are processed within six months of their filing date.

Program Administration Account

For the ETA Program Administration account, we request \$181 million and 1,250 FTE, \$8.7 million above the FY 2004 enacted amount and an increase of 36 FTE. Our request includes \$17 million to cover the federal staff currently administering several labor certification programs, an increase of \$3 million over the level currently estimated for FY 2004. Our legislative proposal for a new labor certification application fee on each of the 90,000 employer applications to the new PERM program would offset the costs of administering the permanent program and partially offset a processing backlog reduction in regional offices.

Federal Unemployment Benefits and Allowances

We request \$1.1 billion, \$281 million below the FY 2004 appropriated level for the Trade Adjustment Assistance (TAA) for Workers program based on lower projections of certifications. The request includes an increase of \$38 million for the Alternative Trade Adjustment Assistance program for older workers and decreases related to the phase-out of the NAFTA-TAA program. FY 2005 will continue the implementation and operation of the reformed TAA program, with an emphasis on melding it into the workforce investment system. A reengineered TAA business model is being implemented to process TAA petitions within 40 days, resulting in the timely

delivery of needed services that put trade-affected workers back to work as quickly as possible, while they still have a strong attachment to the labor force.

Streamlined Performance Measures

A key principle of the President's Management Agenda is the integration of budget and performance activities. The Department's FY 2005 Congressional Budget Justification represents the first complete effort for a performance budget that integrates performance objectives with resource requirements. Through this FY 2005 performance budget, ETA seeks to better demonstrate the results that will be achieved through public investment in job training and employment programs.

Consistent with the principle of budget and performance integration, we are committed to making job training and employment programs more efficient and results-oriented. To this end, our WIA reauthorization proposal and our FY 2005 Performance Budget Overview (the Annual Performance Plan for the Government Performance and Results Act) provide for eight common indicators of performance – four for adult programs and four for youth programs – developed in collaboration with the Department of Education and other Federal agencies as part of an initiative for employment and job training programs. These “common measures” address the core purposes of job training and employment programs – employment for adults and skills attainment for youth and lifelong learners – and include a new efficiency measure as well. Additionally, the common measures will provide a powerful way to evaluate and improve performance for programs with similar goals. They will also encourage coordination among programs that would share common outcomes and definitions of success.

Accordingly, the Administration's WIA reauthorization proposal seeks to reduce the number of WIA performance measures from 17 indicators under the current legislation to these eight common indicators, including an efficiency measure. The core set of measures would also have a common set of definitions and data sets to help integrate service delivery through the One-Stop Career Centers at the local level. Although the performance measures would be reduced to eight, the Governors would retain the authority to add other measures for use within their states.

Overall Program Performance and Results

The Employment and Training Administration has heightened its focus on performance to accomplish our goals, as reflected in our key guiding principle that we will "support programs that are outcome-focused and results-oriented." I believe that we owe it to our fellow Americans to deliver the best results that we can with the public resources entrusted to our agency. Following are some examples of overall performance and results for key program areas.

In PY 2002, many ETA-administered programs continued to meet or substantially meet the majority of their established performance targets. For example, the WIA Adult and Dislocated Worker programs exceeded goals for employment and retention in PY 2002. Both programs met two out of their three indicators. Eighty-three percent of adults and 89 percent of dislocated workers were still working in the third quarter following exit against respective targets of 80 percent and 88 percent. Adults increased their average earnings by \$3,030 and dislocated workers averaged 88 percent of their pre-dislocation earnings.

In PY 2002, the WIA Youth program exceeded goals for employment, retention, and diploma attainment. Seventy percent of the 19 to 21 year-old youth were employed in the first

quarter after exit. Of these youth, 80 percent were still employed in the 3rd quarter after program exit. Sixty-three percent of younger youth ages 14 to 18 who entered the program without a secondary diploma or equivalent, attained a diploma or equivalent by the first quarter after exit.

In PY 2002, the Job Corps program also performed strongly. Eighty-seven percent of graduates enrolled in education or got jobs with average hourly wages of \$8.03. Sixty-three percent continued to be employed or enrolled in education six months after their initial placement date, slightly below the target of 65 percent. The number of students who attained high school diplomas while enrolled in Job Corps increased by 96 percent, far exceeding the target of 20 percent.

In FY 2003, 359 employers were recruited to participate in the national apprenticeship system in new and emerging industries, and 133,909 individuals found employment through the registered apprenticeship system.

In FY 2003, the Trade Adjustment Assistance (TAA) program made certifications that covered 208,494 workers. Eighty-six percent of workers who received training through the TAA program were still working in the third quarter following exit, and on average these workers replaced 73 percent of their pre-layoff earnings.

In FY 2003, the Unemployment Insurance system continued to focus on making timely benefit payments to unemployed workers and setting up tax accounts promptly for new employers. Eighty-nine percent of intrastate benefit payments were made within the specified time period, in comparison to a goal of 91 percent. The Unemployment Insurance system exceeded its goal in making employer tax liability determinations timely. Eighty-four percent of new employer tax status determinations were made timely in comparison to a goal of 80 percent.

Detailed performance information on these measures may be found in the Department of Labor's Annual Performance and Accountability Report, recently issued in compliance with the Government Performance and Results Act.

Coordination between the Departments of Labor and Education

The Subcommittee requested that I and representatives from the Department of Education testify together on the FY 2005 budget and highlight our collaborative efforts. The Departments of Labor and Education share an interest in helping current workers and job seekers acquire the skills needed for occupations in the 21st Century. In recognition that a collaborative effort is needed to help Americans secure quality jobs, the two departments have undertaken a number of joint initiatives, such as the implementation of common performance measures which I mentioned earlier. We are working to strengthen this partnership at both the Federal level and throughout the One-Stop Career Center system.

The Workforce Investment Act (WIA) of 1998 established Adult Education, Vocational Rehabilitation, and Vocational Education as required One-Stop partners to expand the array of coordinated services available to job seekers lacking the basic reading and math skills needed for employment. Through representation on state Workforce Investment Boards, coordination of services with other One-Stop partners, and the delivery of core services through One-Stop centers, education programs are key partners in the public workforce system. The reauthorization of WIA provides an opportunity to increase coordination between education and employment and training programs. For example, the Administration has proposed to strengthen the One-Stop system by financing the operational cost of the system through dedicated "One-Stop infrastructure" funding.

The Departments of Labor and Education currently collaborate on a number of initiatives that focus on ensuring that individuals have the skills needed in today's labor market and information on high-demand occupations. In 2001, the two departments signed a Memorandum of Understanding (MOU) to implement a coordinated, interagency initiative to improve the employment opportunities and earnings of individuals who do not possess the reading and math skills essential to participate successfully in the 21st Century workforce. The initiative has focused on helping adult workers acquire the basic skills they need to benefit from occupational and related training and ensuring that Job Corps students have access to opportunities to earn a high school diploma.

The Departments of Labor and Education recently launched the Career Voyages website. Career Voyages is designed to provide information on high-growth, high-demand occupations – along with the skills and education needed to attain those jobs – to youth and their parents, career changers, and career advisors. This web tool will help bridge the gap between education, skills, and opportunities in the workforce.

The Department of Labor has worked with the National Institute for Literacy (NIFL) on a number of initiatives due to their shared interest in increasing access to quality literacy services for individuals seeking employment. For example, local workforce areas have partnered with NIFL to improve services to individuals with learning disabilities at One-Stop centers. NIFL has also contributed to Job Corps' development of standards for student basic skills and vocational training. A MOU is currently being developed to build upon these efforts and will promote increased cooperation between the two agencies. Major activities will include supporting research and development for improving workplace literacy skills, assisting the public workforce

investment system in more effectively serving individuals with learning disabilities and limited English proficiency, and increasing access to high quality outcome-based literacy programs.

Conclusion

Mr. Chairman, we believe our budget request supports the many important initiatives that have been entrusted to our administration, and also fully supports the President's goal of helping more Americans gain the skills to find good jobs in our new economy. Thank you for the opportunity to testify before you today. I will be happy to answer any questions you may have about our FY 2005 budget request.